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SUBJECT: WORLD BANK RED-DEAD FEASIBILITY STUDY COMMENCES AS THE
PRIVATE SECTOR PUSHES OTHER PROPOSALS

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(U) SENSITIVE BUT UNCLASSIFIED. NOT FOR INTERNET DISTRIBUTION.

11. (SBU) Summary: The Red Sea - Dead Sea conveyance pipeline to move water from the Gulf of Aqaba into the shrinking Dead Sea has long been discussed in the region as a savior for the region's water woes (reftels). The USG and several other donors have contributed to the World Bank feasibility study, which commenced in May 2008 with the participation of the beneficiary parties (Israel, Jordan, and the Palestinian Authority). While the World Bank study still needs additional funding support, it is the only "official" Red-Dead activity underway. Two competing private sector firms have also offered proposals with a broader approach, including the development of economic zones and tourism, and are vying for attention. The prospects for any of these mega-projects as a long-term solution to regional water problems remains unclear. End Summary.

World Bank Red-Dead Feasibility Study Commences

12. (U) The Red-Dead conveyance mechanism is seen by many in the region as a long-term savior to the region's water woes. Besides conveying large quantities of water from the Red Sea to rehabilitate the shrinking Dead Sea, the conveyance would also desalinate as much as 600 million cubic meters (MCM) of drinking water for Jordan, and generate hydropower for desalination and electricity. Another 250 MCM of drinking water is planned to be available for the Palestinian Territories.

13. (SBU) The USG and several other donors (France, Japan, the Netherlands, and Greece) have provided financial assistance to the World Bank to lead a two-year, \$14 million Red-Dead Study (RDS). Despite a \$3.5 million funding shortfall, the World Bank in April

2008 awarded one tender to the French company Coyne et Bellier for a technical/financial feasibility study, and another to Environmental Resources Management of Britain to carry out an environmental and social assessment. The GOJ has requested USAID Jordan to augment its initial \$1.5 million in funding for the study. NOTE: USAID is currently exploring additional funding options for the RDS, but has made no commitment to increase financial support for the activity to date. END NOTE. Other potential donors include Sweden and Denmark. Without the additional funds, components of the technical and financial feasibility study will be dropped or truncated, including examination of alternative scenarios to the Red-Dead canal which was strongly pushed by environmental NGOs and other stakeholders opposed to the project.

14. (SBU) The World Bank and the beneficiary parties officially launched the RDS project in late May. Despite high-expectations from the governments, the World Bank has been careful to note that the RDS is a feasibility study, and there is no forgone conclusion that a water conveyance structure will be built. While the beneficiary parties strongly support the process for its cross-cutting benefits including regional cooperation, the political viability of such cooperation will add to the project's complexity.

Montgomery Watson Harza Proposal -----

15. (SBU) Montgomery Watson Harza (MWH), a global vendor of water management and engineering services based in the U.S., has developed its own proposal for a Red-Dead canal, which includes the creation of several lakes along the Jordan-Israel border to attract tourism

and create economic development zones that draw industry and employment to the area. Relying on the experiences of similar projects in Arizona and Nevada, MWH believes its proposal is financially sustainable and more likely to attract the necessary private sector financing to assure the project's viability. The MWH proposal is not positioned as a competitor to the RDS, but expects to use the results of the RDS as input to commencing its project.

16. (SBU) MWH representatives have been promoting the proposal in Jordan, Israel and the Palestinian territories for more than a year. Noah Kinnarti, an Israeli Presidential advisor and longtime water expert who participated in crafting the water provisions of the Israel-Jordan 1994 peace treaty, noted that the MWH proposal is not viewed favorably in Israel. Recent discussions with Jordan's Minister of Water, however, indicate that the MWH proposal is gaining traction in Jordan. Noting the lengthy World Bank procurement and project cycles, as well as the inherent difficulties in regional concurrence, Jordan's Water Minister Raed Abu Saud told NEA Senior Science and Technology Advisor Charles Lawson that Jordan will need to speed up implementation of the Red-Dead project once the RDS is completed. Abu Saud went on to note that he will engage MWH to begin planning for Jordan-specific implementation of the project once the RDS is completed.

Israeli Real Estate Mogul Tshuva Joins the Fray -----

17. (SBU) Israeli real estate mogul Yitzhak Tshuva unveiled his own construction plans in May 2008 for building a water conveyance from the Red Sea. While similar to the MWH proposal, it has two main differences: 1) a large 200 MCM desalination plant would be built on the Aqaba-Eilat border to move the desalinated water to five lakes and different economic zones and tourism sites along the border up the Arava valley (other plans call for power generation from the 500 meter drop in altitude down to the Dead Sea and desalination nearer to that site); and 2) the canal would not go all the way north to the Dead Sea. Tshuva envisions having an additional three million Jewish inhabitants populate the Wadi Arava desert surrounding the canal and lakes. The canal area would also be a free-trade zone, in order to provide incentives and encourage foreign companies to take part in the project and build factories and convenience stores along the canal. Tshuva reportedly said that the project could be completed in two years and has the potential of creating more than one million new jobs. The Israeli billionaire has supposedly enlisted the support of Saudi Prince Al-Walid bin

Talal, and other prominent business people to form a regional council for this project.

¶8. (SBU) Kinnarti noted that Tshuva's proposal -- which has no connection to the RDS -- has been presented to Israeli President Peres and Jordan's King Abdullah and received a favorable response. Tshuva's project also builds on a regional framework requiring close collaboration between the core parties, leading Kinnarti to state that Peres' vision has yet to generate 1 cm of water.

¶9. (SBU) Comment: The start of the RDS marks a significant milestone for the beneficiary parties who are eagerly awaiting some tangible results after many years of discussion. While all the proposed solutions are premised on regional cooperation, there exists the potential for either Jordan or Israel to consider implementing a scenario on their own to short-circuit the political concurrence requirements. As the different scenarios play out, the progress and results of the RDS will be watched with keen interest. Even with a positive go-ahead after the RDS, it is unlikely that the donor community would contribute the billions of dollars required for implementing such a large-scale project, which may make the

private sector proposals appear more attractive. Moreover, USAID Jordan maintains that large projects like Red-Dead should not be viewed as a panacea to water scarcity in the region. At least in Jordan, there continues to be a critical need to examine current water allocations in the country and to increase the overall efficiency of water use. End Comment.

¶10. (U) This cable has been coordinated with NEA/RA Chuck Lawson and Embassy Tel Aviv.

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